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CENTRAL INTELLIGENCE BULLETIN



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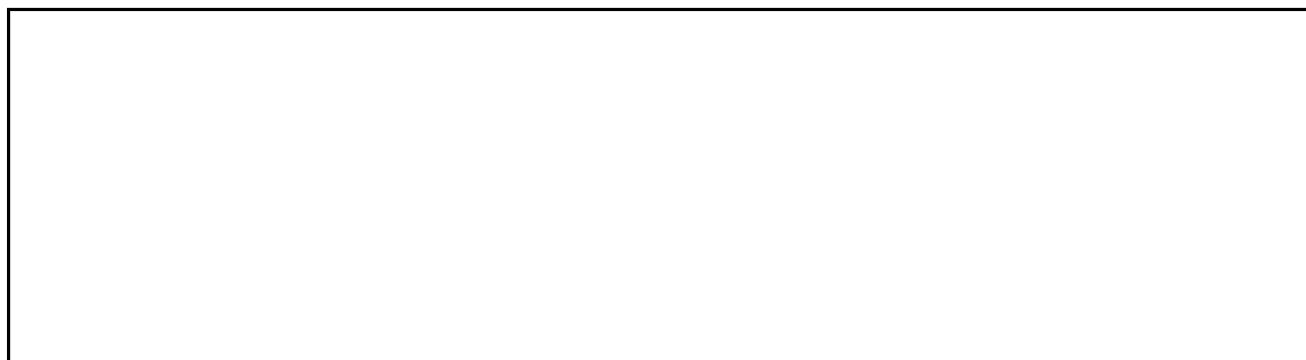
DAILY BRIEF

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I. THE COMMUNIST BLOC



II. ASIA-AFRICA



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N^o Cameroun: French officials in Cameroun fear that outlawed nationalist extremists may announce the creation of a Cameroun government-in-exile during the current meeting in Liberia of President Touré of Guinea, Prime Minister Nkrumah of Ghana, and President Tubman of Liberia. The French officials have asked Paris to make an immediate demarche to President Tubman to head off recognition by Liberia and frustrate the Cameroun exiles' reported plan to gain favorable diplomatic action by the three nations. Both Guinea and Ghana in the past have shown sympathy for the extremists.]

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Ceylon: The powerful leftist party opposing Prime Minister Bandaranaike--the Trotskyite Lanka Sama Samaj--has been maneuvered into a defensive position. The government's unusual firmness in dealing with strikes, including the formation of a strike-breaking volunteer labor force, has neutralized the leftist challenge. This has not, however, basically altered the shaky position of the Bandaranaike government.

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*The unsettled situation apparently has stimulated new plans by various conservative leaders to seize power. Commanders of the armed forces and police,

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are preparing such a move at an early date, although there is no indication of imminent action.

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Thailand: The recent discovery of Communist underground centers in Bangkok and in southern Thailand has apparently led the Sarit regime to re-examine Thailand's internal security controls. Among measures that may be taken is the introduction of a new antiradical bill to replace the 1952 Anti-Communist Act, which has provided an inadequate basis for the successful prosecution of suspected Communists.

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III. THE WEST

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*France: The American ambassador in Paris reports French authorities are "in a highly charged state" over proposed US and Norwegian arms and ammunition shipments to Tunisia. Premier Debré, probably under strong pressure

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[from the French army in Algeria, has raised the issue with NATO Secretary General Spaak and with General Norstad, and is considering taking the issue to the NATO Council. Meanwhile, on 16 July, the Norwegian NATO representative said that Norway has decided not to grant export licenses for the arms delivery. Debré, who had warned that the shipments may raise the question of France's continued association with the alliance, will probably continue to press the US to withhold its shipment. Tunis can be expected to react sharply to any obvious delays in materiel shipments it expects to obtain from the US, especially if it becomes aware of the latest French de-

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Finland: The Finns now intend to join the little free trade area consisting of Britain, Scandinavia, and other non-Common Market countries, provided the organization is solely economic and has no political implications. Finland has been apprehensive about the attitude of the USSR but has lately received indications that Moscow would not object to Finnish participation. Moscow apparently feels that Finland's participation would increase the influence of the neutrals in the group and that the little free trade area might undermine the Common Market.

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Argentina: The outburst of discontent within the navy over President Frondizi's refusal to replace Navy Secretary Estevez has shattered a facade of navy unity, which served as a stabilizing factor in several past crises involving the armed forces. The issue will probably be smoothed over, but it may weaken Frondizi's military support, which is necessary to counter continuing Peronista and Communist efforts to exploit popular discontent over living costs.

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Guatemala: A showdown between President Ydigoras and the leftist but anti-Communist Revolutionary party (PR) is almost certain if the government annuls the decisive PR victory in the 5 July mayoralty election in Guatemala City. There is mounting evidence that the government may do so. The American Embassy reported on 15 July that Ydigoras

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was under heavy pressure from rightists, including some army officers, to stop the PR, which has rapidly been gaining popular strength, "before it's too late." [REDACTED]

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Honduras: Ambassador Newbegin is concerned that the failure of Honduran President Villeda Morales to take prompt action in curbing Communist activity will result in serious trouble for the government. Communist-led students who took part in quashing a revolt in the capital on 12 July now control a radio station and are performing some of the functions of the national police, who had supported the revolt. The Communists and their followers probably do not now have the capability to take over the government, but they may try to prolong tension by promoting friction between the army and civilians who were armed by the government during the revolt. [REDACTED]

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IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Political Prospects in Ceylon During the Next Two or Three Years. SNIE 54-59. 14 July 59. [REDACTED]

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Cameroun Government-in-Exile May Be Imminent

[The outlawed nationalist movement, the Union of the Cameroons Population (UPC), may proclaim a government-in-exile and secure recognition by several West African states. Announcement of the formation of such a government might be timed for the current meeting of President Touré of Guinea and Prime Minister Nkrumah of Ghana with President Tubman in Liberia where they are discussing the form of a future West African association. French officials in Cameroun have requested Paris to warn Liberia of the consequences of such diplomatic recognition.]

[Proclamation of an exile government would probably evoke favorable responses from Guinea and Ghana, which have shown considerable sympathy for the UPC. They have recently led an effort to have another review of the Cameroun situation by the United Nations before the trust territory receives its independence in January 1960 under its present moderate, pro-French government. Both Ghana and Guinea would probably be willing to risk French diplomatic retaliation. Accra's relations with Paris are tense because of Ghana's recent recognition of the Algerian rebel government; Conakry has experienced a general lack of rapport with Paris since gaining independence in October 1958. Liberia, however, probably would be reluctant to arouse French hostility by recognition, although it will be under considerable pressure to show its devotion to the African nationalist cause.]

[Recognition of a Cameroun exile government might also become a subject at the August meeting of nine independent African states in Liberia when they are expected to discuss the Algerian situation.]

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The Trotskyite Lanka Sama Samaj party (LSSP), Ceylon's leading leftist organization, appears to have been maneuvered into an untenable position as a result of the Bandaranaike government's firmness in dealing with strike activity.

About 9,000 LSSP-controlled dock and clerical workers in Colombo port--more than two thirds of the total harbor labor force--remain on strike, and some LSSP unions in Colombo's mercantile firms have walked out in sympathy. A group of less powerful dock unions controlled by the Communist party and a smaller Trotskyite group accepted Bandaranaike's terms two weeks ago and returned to work. The LSSP, however, realizing that it was involved in a significant test of power with the shaky Bandaranaike government, refused to modify its demands and threatened to extend the port walkout into a general strike. These tactics only strengthened the government's determination to make no further concessions.

The LSSP made much political capital out of the strike technique in 1957 and 1958. Since the leftist element in Bandaranaike's government coalition withdrew in mid-May, however, the moderates have forced the prime minister to take firm action against striking unions. Apparently the most effective measure has been the recent recruitment of an army-controlled volunteer labor force to replace striking workers in essential services. In addition, growing public resentment over the detrimental effect strikes have had on the economy has bolstered the government's position and jeopardized the LSSP's popular support.

The leftist party probably will be forced to beat a strategic retreat for the present. However, its considerable following and effective organization, coupled with the government's precarious position in Parliament, will ensure the LSSP's continuance as a potent opposition force.

[The present unsettled political and economic conditions continue to cause various conservative groups to consider action to take over the government. A group including the commanders of the armed forces and police is now reported taking steps in preparation for coup action at an early date, although other sources do not indicate that such a move is imminent.]

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Sarit Government Re-examining Thai Security Controls

The recent discovery of Communist underground centers in the Bangkok area and in southern Thailand has reportedly led the Sarit government to re-examine Thailand's internal security controls. Thai authorities are said in particular to be considering a stronger law to replace the 1952 Anti-Communist Act, which has provided an insufficient basis for prosecution of suspected Communists.

Prior to his summary execution on 6 July, the leader of the Communist center discovered in the Bangkok area is said to have been openly derisive of Thai security controls. His scorn, together with the evidence of Communist activity uncovered in the recent police raids, has undoubtedly strengthened elements in the government who have long argued for tightening internal security.

The recent raids were apparently the most effective in several years. In the Bangkok area, 15 suspects in addition to the executed leader were arrested, and weapons, documents, communications equipment, and printing equipment were seized. In southern Thailand, 24 were arrested, and the police reportedly have some evidence that these individuals had been in contact with Soviet Embassy officials from Bangkok who occasionally toured the south.

Sarit has ample powers under martial law and the interim constitution to deal summarily with Communists and other "anti-social" elements. However, he would probably prefer to use these powers only in the most glaring and dramatic cases.

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III. THE WEST

Finland Plans to Join Little Free Trade Area

Finland definitely intends to join the little free trade area, consisting of Britain, the Scandinavian countries, Switzerland, Austria, and Portugal, according to a high official of the Finnish Foreign Ministry, provided the organization is solely economic and has no political implications.

A decision has been delayed because Finland feared Soviet objections. Now, however, according to another high official in the Finnish Foreign Ministry, it has been given a good indication by a Soviet official that the USSR would not object. Moscow apparently hopes that the little free trade area will create problems for and in the long run undermine the Common Market, which Soviet propaganda has described as an adjunct of NATO and an instrument of West German imperialism. In addition, Moscow may feel that Finnish participation will increase the influence of the non-NATO neutrals--Sweden, Switzerland, and Austria--as opposed to the four NATO members--Britain, Denmark, Norway, and Portugal.

The Finns feel they must participate in order to maintain the competitive position of their goods in West European markets. They wish to avoid any implication, however, that they are relinquishing their sovereignty, and they would oppose any statements linking the little free trade area to the Common Market or other Western organizations. [REDACTED]

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Argentine Navy Dispute Adds to Military Discontent

The outburst of navy discontent over President Frondizi's refusal to replace Navy Secretary Estevez has shattered the facade of navy unity, which has been a stabilizing factor in several past crises involving the armed forces. The strong but previously muffled opposition to Estevez erupted when Vice Admiral Baroja, chairman of the Joint Chiefs of Staff, told the defense minister that a group of important naval officers had agreed privately at a social gathering on 11 June that Estevez should resign. Informed of this opinion, Estevez placed the group under arrest until he learned their views were not intended as an ultimatum.

Side issues growing out of this incident have probably contributed to the reported requests for retirement by the majority of ranking officers. As in the case of the recent army dissidents, however, the situation will probably be smoothed over through compromise, with most of the retirement requests rejected and Estevez' resignation eventually accepted.

At the same time, this bitter incident may have weakened Frondizi's military support, which is necessary in the face of continuing Peronista and Communist efforts to exploit popular discontent over living costs. An important reason for navy criticism of Estevez has been his failure to press Frondizi for stronger measures against the Peronistas and Communists.

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Guatemalan Government May Provoke Showdown With Leftists

There are mounting indications that the Guatemalan Government may be preparing to annul the 5 July mayoralty election in Guatemala City, which was decisively won by the leftist but anti-Communist Revolutionary party (PR). PR partisans would almost certainly react with demonstrations likely to result in bloodshed. The office of mayor of the capital city is generally regarded as the second most important elective office in the country.

The 5 July election was a re-run of the election last December. Both were won by the same PR candidate, the moderate Dr. Luis Galich. The government, under strong pressure from extreme rightists including some army officers, annulled the earlier election on a legal technicality.

The Guatemalan rightists, who try to monopolize the anti-Communist label and consider even the moderate PR leaders Communists, now are pressing President Ydigoras for a second annulment. They are alarmed by growing PR strength and feel it necessary to stop the PR before it is too late. Ydigoras lacks an effective political machine of his own, and from time to time rightists have threatened to overthrow him if he does not take a strong stand against the leftists. He may feel impelled to provoke a showdown with the PR at this time, against the advice of his more moderate counselors.

Galich won more votes in the July election than both his rightist opponents combined and a larger total vote than he gained in December, despite the fact that Communist and pro-Communist elements had in the meantime split from the PR. The rapidly mounting PR strength suggests that the party will make a strong bid for control of the congress in elections scheduled for late this year.

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Communist Activity Poses Threat to Honduran Government

Ambassador Newbegin fears serious trouble in Honduras unless President Villeda Morales acts to curb Communist activity following the suppression of the revolt which broke out in Tegucigalpa on 12 July. By 15 July the revolt--which was led by retired Colonel Armando Velasquez, an inveterate plotter anxious to become president at any cost--had been crushed by the army and by civilians who were armed by the government. [Most of the several hundred national policemen constituting the bulk of Velasquez' support have been made prisoners.]

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Communist-led students control a radio station in the capital and have taken over some functions of the national police. [They are reportedly joining with Communist labor unions and members of the administration Liberal party in demanding that a new police force, presumably built around a nucleus of Communist-advised students, be organized under civilian control.] The Liberal party regards the army as a threat to Honduras' first popularly elected government and has repeatedly sought to remove the police from army control.

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The revival of the civil-military feud [and the arbitrary arrests and intimidations of members of the opposition Nationalist and Reformist parties by armed civilians] may lead to more violence unless Villeda Morales takes firm steps to curtail the Communists and to restore the responsibility of preserving order to the army.

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The Communists probably have neither the intent nor ability to attempt to take over the government at this time and will most likely be content to continue fomenting disorders.

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